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ACADIANA LEGAL SERVICE CORPORATION

FINANCIAL REPORT

DECEMBER 31, 2005

RECIPIENT NO. 619051

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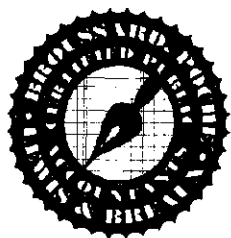
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ACADIANA LEGAL SERVICE CORPORATION

RECIPIENT NO. 619051

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Acadiana Legal Service Corporation
Lafayette, Louisiana

Herbert Lemoine II, CPA*

Frank A. Stagno, CPA*

Scott J. Broussard, CPA*

L. Charles Abshire, CPA*

Kenneth R. Dugas, CPA*

P. John Blanchet III, CPA*

Craig C. Babineaux, CPA*

Peter C. Borrello, CPA*

George J. Trappey III, CPA*

S. Scott Soileau, CPA*

Patrick D. McCarthy, CPA*

Martha B. Wyatt, CPA*

Troy J. Breaux, CPA*

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Joey L. Breaux, CPA*

Terrel P. Dressel, CPA*

Craig J. Viator, CPA*

We have audited the accompanying statements of financial position of Acadiana Legal Service Corporation (a nonprofit organization) as of December 31, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Acadiana Legal Service Corporation as of December 31, 2005 and 2004, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Retired:

Sidney L. Broussard, CPA 1925-2005

Leon K. Poché, CPA 1984

James H. Breaux, CPA 1987

Erma R. Walton, CPA 1988

George A. Lewis, CPA* 1992

Geraldine J. Wimberley, CPA* 1995

Larry G. Broussard, CPA* 1996

Lawrence A. Cramer, CPA* 1999

Ralph Friend, CPA* 2002

Eugene C. Gilder, CPA* 2004

Donald W. Kelley, CPA* 2005

In accordance with Government Auditing Standards, we have also issued our report dated April 4, 2006, on our consideration of Acadiana Legal Service Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Acadiana Legal Service Corporation taken as a whole. The accompanying schedules listed in the table of contents, including the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Broussard, Roche, Lewis & Breaux, L.L.P.

Lafayette, Louisiana
April 4, 2006

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ACADIANA LEGAL SERVICE CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2005 and 2004

ASSETS	<u>2005</u>	<u>2004</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 16,037	\$ 21,450
Investments	73,233	72,181
Grants receivable	73,187	93,310
Other current receivables	9,961	19,028
Prepaid expenses	<u>56,488</u>	<u>46,778</u>
Total current assets	\$ <u>228,906</u>	\$ <u>252,747</u>
RESTRICTED ASSETS		
Cash and cash equivalents:		
Client trust accounts	<u>\$ 28,214</u>	<u>\$ 26,898</u>
NONCURRENT ASSETS		
Utility deposits	<u>\$ 1,190</u>	<u>\$ 1,190</u>
FIXED ASSETS, at cost, net of accumulated depreciation of \$2,324,332 and \$2,209,952 for 2005 and 2004, respectively	<u>\$ 422,610</u>	<u>\$ 524,627</u>
Total assets	<u>\$ 680,920</u>	<u>\$ 805,462</u>

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	<u>2005</u>	<u>2004</u>
CURRENT LIABILITIES (payable from current assets)		
Accounts payable	\$ 11,745	\$ 34,881
Accrued liabilities	156,924	145,232
Current portion of capital lease obligations	-	11,090
Deferred revenues	<u>21,750</u>	<u>5,000</u>
Total current liabilities (payable from current assets)	\$ 190,419	\$ 196,203
CURRENT LIABILITIES (payable from restricted assets)		
Client trust deposits	<u>28,224</u>	<u>26,898</u>
Total liabilities	\$ <u>218,643</u>	\$ <u>223,101</u>
NET ASSETS		
Temporarily restricted:		
Legal Services Corporation -		
Designated for building fund	\$ 20,000	\$ 20,000
Undesignated	19,367	48,524
Property	422,610	513,537
Non-LSC	<u>300</u>	<u>300</u>
Total net assets	\$ <u>462,277</u>	\$ <u>582,361</u>
Total liabilities and net assets	\$ <u>680,920</u>	\$ <u>805,462</u>

ACADIANA LEGAL SERVICE CORPORATION

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Changes in temporarily restricted net assets:		
Revenues and support -		
Grants and contracts	\$ 2,352,880	\$ 2,518,396
Investment income	4,458	3,243
Donated services	24,267	4,569
Miscellaneous	14,624	17,618
Net assets (released) from restrictions	<u>(2,516,313)</u>	<u>(2,850,753)</u>
Change in temporarily restricted net assets	<u>\$ (120,084)</u>	<u>\$ (306,927)</u>
Changes in unrestricted net assets:		
Net asset released from restrictions	<u>\$ 2,516,313</u>	<u>\$ 2,850,753</u>
Program services:		
Legal services	\$ 2,059,665	\$ 2,126,406
Legal assistance for victims	-	187,367
Caregiver support	22,662	24,112
Parental visitation	<u>-</u>	<u>30,951</u>
Total program services	<u>\$ 2,082,327</u>	<u>\$ 2,368,836</u>
Supporting services:		
Administrative	<u>\$ 433,986</u>	<u>\$ 481,917</u>
Total expenses	<u>\$ 2,516,313</u>	<u>\$ 2,850,753</u>
Change in unrestricted net assets	<u>\$ -0-</u>	<u>\$ -0-</u>
Total change in net assets	<u>\$ (120,084)</u>	<u>\$ (306,927)</u>
Net assets, beginning	<u>582,361</u>	<u>889,288</u>
Net assets, ending	<u>\$ 462,277</u>	<u>\$ 582,361</u>

See Notes to Financial Statements.

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ACADIANA LEGAL SERVICE CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2005

	<u>Program Services</u>		
	<u>Legal Services</u>	<u>Legal Assistance for Victims</u>	<u>Caregiver</u>
Salaries and wages:			
Lawyer	\$ 669,306	\$ -	\$ 11,487
Non-lawyer	578,499	-	6,639
Employee benefits	280,865	-	2,341
Space costs and renovations	102,451	-	487
Equipment rental and maintenance	19,103	-	166
Office supplies and expenses	54,823	-	518
Travel and training	41,377	-	149
Depreciation	92,099	-	-
Library and other supplies	28,702	-	-
Telephone	60,781	-	556
Insurance	37,529	-	139
Contractual services	8,292	-	-
Membership fees	12,445	-	-
Litigation costs	10,153	-	139
Subgrants	29,007	-	-
Access to justice	16,398	-	-
Miscellaneous	17,835	-	41
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$2,059,665</u>	<u>\$ -0-</u>	<u>\$ 22,662</u>

<u>Parental Visitation</u>	<u>Supporting Services Administrative</u>	<u>Total</u>
\$ -	\$ 44,210	\$ 725,003
-	218,766	803,904
-	68,515	351,721
-	10,499	113,437
-	2,284	21,553
-	1,264	56,605
-	10,912	52,438
-	22,281	114,380
-	-	28,702
-	7,560	68,897
-	9,113	46,781
-	37,318	45,610
-	1,264	13,709
-	-	10,292
-	-	29,007
-	-	16,398
-	-	17,876
<u>\$ -0-</u>	<u>\$ 433,986</u>	<u>\$2,516,313</u>

ACADIANA LEGAL SERVICE CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2004

	<u>Program Services</u>		
	<u>Legal</u>	<u>Legal</u>	
	<u>Services</u>	<u>Assistance</u>	<u>Caregiver</u>
		<u>for Victims</u>	
Salaries and wages:			
Lawyer	\$ 646,165	\$ 65,240	\$ 12,035
Non-lawyer	595,811	21,953	7,518
Employee benefits	276,356	18,051	2,364
Space costs and renovations	135,934	-	487
Equipment rental and maintenance	23,822	-	166
Office supplies and expenses	51,825	4,689	518
Travel and training	46,414	19,718	149
Depreciation	113,684	-	-
Library and other supplies	46,213	1,080	556
Telephone	54,707	6,750	139
Insurance	36,095	680	41
Contractual services	25,854	2,325	-
Membership fees	12,256	675	139
Litigation costs	16,645	-	-
Subgrants	28,228	44,631	-
Access to justice	16,397	-	-
Donated services	-	-	-
Disaster recovery	-	1,575	-
Miscellaneous	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$2,126,406</u>	<u>\$ 187,367</u>	<u>\$ 24,112</u>

<u>Parental Visitation</u>	<u>Supporting Services Administrative</u>	<u>Total</u>
\$ 23,058	\$ 44,210	\$ 790,708
7,893	209,954	843,129
-	64,220	360,991
-	6,608	143,029
-	2,332	26,320
-	12,342	69,374
-	17,025	83,306
-	24,601	138,285
-	-	47,849
-	13,420	75,016
-	7,988	44,804
-	43,082	71,261
-	1,179	14,249
-	-	16,645
-	-	72,859
-	-	16,397
-	4,569	4,569
-	13,298	14,873
-	17,089	17,089
<u>\$ 30,951</u>	<u>\$ 481,917</u>	<u>\$2,850,753</u>

ACADIANA LEGAL SERVICE CORPORATION

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (120,084)	\$ (306,927)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	114,380	138,285
Gain on sale of fixed assets	-	(1,520)
Change in assets and liabilities -		
(Increase) decrease in assets:		
Grant and contracts receivables	20,124	98,487
Other current receivables	9,067	(12,813)
Prepaid expenses and other assets	(9,711)	20,924
Client trust accounts	(1,316)	(690)
Increase (decrease) in liabilities:		
Cash overdraft	-	(102,717)
Accounts payable	(23,136)	1,050
Accrued liabilities	11,692	2
Deferred revenues	16,750	(5,000)
Client trust deposits	1,326	690
Net cash provided by (used in) operating activities	<u>\$ 19,092</u>	<u>\$ (170,229)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	\$ (12,363)	\$ (22,442)
Purchases of investments	(1,052)	(2,111)
Proceeds from sale of fixed assets	-	1,520
Sales and maturities of investments	-	190,448
Net cash provided by (used in) investing activities	<u>\$ (13,415)</u>	<u>\$ 167,415</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease payable obligations	\$ (11,090)	\$ (17,813)
Net increase (decrease) in cash and cash equivalents	\$ (5,413)	\$ (20,627)
Cash and cash equivalents, beginning	<u>21,450</u>	<u>42,077</u>
Cash and cash equivalents, ending	<u>\$ 16,037</u>	<u>\$ 21,450</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	<u>\$ 385</u>	<u>\$ 1,147</u>

See Notes to Financial Statements.

ACADIANA LEGAL SERVICE CORPORATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Acadiana Legal Service Corporation (the "Corporation") is a nonprofit organization created in 1978 to provide legal assistance in non-criminal proceedings or matters to persons unable to afford such counsel. The Corporation is funded primarily by Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a nationwide legal assistance program. The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America and the requirements of Legal Services Corporation. The more significant accounting policies of the Corporation are described below:

Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Basis of presentation:

The Corporation's financial statements are prepared in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. All support reported in the Corporation's financial statements is classified as temporarily restricted.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents:

For reporting purposes, the Corporation considers all highly liquid investment securities purchased with an original maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

Client trust escrow funds:

Funds received from clients are deposited into a separate cash account and restricted for the payment of expenses in connection with related litigation.

Investments:

Investments are stated at cost or amortized cost, which approximates market. As of December 31, 2005, the Corporation's investments consisted solely of certificates of deposit.

Fixed assets:

Fixed assets are recorded at cost, when purchased, or if donated, at the estimated fair value on the date of donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The following is a summary of the estimated useful lives used:

	<u>Years</u>
Buildings and improvements	25
Furniture and equipment	3 - 10
Library	10

Deferred revenue:

Deferred revenue is recognized for grants, awards, or other income received which are not considered to be earned at balance sheet date.

Support:

The Corporation recognizes grant funds from LSC as support on a straight-line basis over the grant period. In accordance with LSC regulations, the Corporation may retain unexpended grant funds for use in future periods provided such funds are not in excess of 10% of the recipient's annualized funding and expenses incurred are in compliance with the specified terms of the grant agreement. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance on behalf of the Corporation with the terms of the grant agreement. In addition, should the Corporation terminate its legal assistance activities, all unexpended funds are to be returned to LSC.

The Corporation also receives funding from various other organizations as described in Note 6.

NOTES TO FINANCIAL STATEMENTS

Contributions:

Donated services are recognized as contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period.

Income taxes:

Acadiana Legal Service Corporation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, the Corporation has been classified as an organization that is not a private foundation under Section 509(a)(2).

Private attorney involvement (PAI):

Legal Services Corporation requires that an amount equal to 12.5% of the basic field award of recipients be devoted to the involvement of private attorneys in the delivery of legal assistance to eligible clients. Expenses incurred in PAI include all expenses directly related to private attorney involvement as well as an allocation of indirect (overhead) expenses. In general, indirect (overhead) expenses are allocated based on the ratio of direct PAI salary costs in relation to total salary costs of all attorneys, paralegals, and support staff.

Functional allocation of expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2. Cash and Cash Equivalents

The Corporation maintains bank accounts at several banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Amounts on deposit at these banks in excess of the FDIC limit may exceed this coverage at various times throughout the year.

NOTES TO FINANCIAL STATEMENTS

Note 3. Grant and Contract Receivables

Grant and contract receivables at December 31, 2005 and 2004 consisted of the following:

	2005	2004
Cajun Area Agency on Aging, Inc.	\$ 5,406	\$ 2,631
Cenla Area Agency on Aging, Inc.	3,551	3,880
Vernon Parish Council on Aging, Inc.	13,739	9,265
Louisiana Bar Foundation	-	51,309
State of Louisiana, Department of Justice	42,500	18,750
State of Louisiana, Department of Elderly Affairs	975	975
Predatory Lending	7,016	6,500
Total grant and contract receivables	<u>\$ 73,187</u>	<u>\$ 93,310</u>

Note 4. Fixed Assets

Fixed assets, including a legal library, are considered owned by the Corporation while in use by the program or in future authorized programs. However, certain funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. Legal Services Corporation has a reversionary interest in those fixed assets purchased with LSC funds. Fixed assets are recorded at cost and depreciation is computed on a straight-line basis over the useful lives of the assets. A summary of fixed assets is as follows:

	2005	2004
Buildings and improvements	\$ 887,943	\$ 887,943
Furniture and equipment	1,414,818	1,402,455
Library	240,516	240,516
Land	203,665	203,665
Total fixed assets	\$ 2,746,942	\$ 2,734,579
Less: accumulated depreciation	<u>(2,324,332)</u>	<u>(2,209,952)</u>
Net fixed assets	<u>\$ 422,610</u>	<u>\$ 524,627</u>

Depreciation expense for the years ended December 31, 2005 and 2004 totaled \$114,380 and \$138,285, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 5. Accrued Liabilities

Included in accrued liabilities is annual leave which vests with the employee and is payable upon termination totaling \$108,320 and \$105,824 at December 31, 2005 and 2004, respectively. Maximum annual leave amounts which can be carried over to subsequent years are 225 hours per employee for employees with more than 3 years of service and 150 hours per employee for employees with less than 3 years of service. Also included in accrued liabilities is \$30,083 and \$29,404 of accrued wages and salaries at December 31, 2005 and 2004, respectively. The remaining balance in accrued liabilities represents miscellaneous items.

Note 6. Summary of Funding

The following details the funding of the Corporation for the year ended December 31, 2005:

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Legal Services Corporation:		
Basic Field - General Grant	01/01/05 - 12/31/05	\$1,883,695
Louisiana Bar Foundation:		
IOLTA Grant	01/01/05- 12/31/05	151,939
Cajun Area Agency on Aging, Inc.:		
Title III-B 2004-2005 Grant	07/01/04 - 06/30/05	15,783
Title III-B 2005-2006 Grant	07/01/05 - 06/30/06	16,458
Hurricane Relief		2,663
Cenla Area Agency on Aging, Inc.:		
Title III-B 2004-2005 Grant	07/01/04 - 06/30/05	11,274
Title III-B 2005-2006 Grant	07/01/05 - 06/30/06	10,557
Title III-E 2004-2005 Grant	07/01/04 - 06/30/05	12,006
Title III-E 2005-2006 Grant	07/01/05 - 06/30/06	10,656
Episcopal Church of the Ascension		750
Gillis W. Long Poverty Law Center	01/01/05 - 12/31/05	12,000
Junior League of Lafayette		5,000
Woman's Foundation		3,775
Junior League of Alexandria		2,500
American Bar Association	10/01/05 - 09/30/06	16,250

(continued)

NOTES TO FINANCIAL STATEMENTS

<u>Funding Source</u>	<u>Period</u>	<u>Support</u>
Vernon Parish Council on Aging, Inc.: 2004-2005 Contract	07/01/04 - 06/30/05	5,074
State of Louisiana, Department of Justice	11/24/04 - 06/30/05	98,750
St. Landry Mini Grant		6,000
Southeast Louisiana Legal Services: Predatory Lending	10/01/04 - 09/30/05	7,976
Community Foundation of Acadiana		<u>79,774</u>
Total grants and contracts		<u>\$2,352,880</u>

Note 7. Lease of Facilities

The Corporation leases various facilities to serve as branch offices. For the years ended December 31, 2005 and 2004, the Corporation expended \$56,043 and \$65,620, respectively, on lease payments.

As of December 31, 2005, the Corporation was leasing office space in Lake Charles. This lease began November 1, 2004 and extends for five years. Monthly rental payments during year one amount to \$2,284. During year two, monthly rental payments amount to \$2,408. During years three to five, monthly rental payments amount to \$2,535. The Corporation has the option to renew this lease for an additional 36 months.

As of December 31, 2005, the Corporation was leasing space for the exclusive use of two offices in Lake Charles. This lease was renewed on March 1, 2004 and extends to February 28, 2006. The lease was renewed in 2006 to extend to February 28, 2008. Total annual lease payments associated with this lease amount to \$7,500.

As of December 31, 2005, the Corporation was leasing office space in Alexandria. The initial term of this lease ran from April 1, 2004 to March 31, 2007. Initial monthly payments during the initial term amount to \$1,300. Tenant has two options to renew for one year a piece. Rental payments during the first and final option periods amount to \$1,400 a month.

NOTES TO FINANCIAL STATEMENTS

Total minimum rental payments expected under these leases are as follows:

2006	\$ 52,440
2007	42,045
2008	31,708
2009	<u>25,350</u>
	<u>\$151,543</u>

Note 8. Grants to Other Agencies

During the year, the Corporation granted \$17,000 of LSC funds to the Lafayette Parish Bar Foundation's *Lafayette Volunteer Lawyers Project* and \$10,574 to the Central Louisiana Pro Bono Project. Both subgrantees are pro bono programs, which use the funds to provide civil legal services to low-income persons eligible for representation by the Corporation. As of December 31, 2005, both subgrantees had expended all these funds. Additionally, the Corporation grants small amounts to various local organizations to facilitate the providing of various legal services. As of December 31, 2005, all these organization had complied with all significant requirements of those subgrants.

Note 9. Retirement Plan

Acadiana Legal Service Corporation established a 403(b) retirement plan (the "Plan") for those employees who meet the eligibility requirements set forth in the Plan. The amount of contributions to the Plan is at the discretion of the Board of Directors. The Corporation contributed \$14,758 and \$13,574 to the Plan for the years ended December 31, 2005 and 2004, respectively.

Note 10. Concentrations

The Corporation receives a significant portion of its total support from granting agencies. In particular, Legal Service Corporation accounted for 79% and 75% of the total support of the Corporation in 2005 and 2004, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 11. Federal and State Grants

The Corporation participates in a number of federal and state grant programs that are fully or partially funded by grants received from other governmental entities. The grant programs are subject to audits by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. It is possible that in the event of non-compliance with conditions of grants received, that the Corporation would have to refund to the granting agency those expenditures not deemed to be in compliance. However, management has no knowledge of any liability for refunds to any granting agencies as of December 31, 2005 and through the date of this report.

SUPPLEMENTARY INFORMATION

ACADIANA LEGAL SERVICE CORPORATION

SCHEDULE OF GRANT AWARD AND EXPENDITURES
LEGAL SERVICE CORPORATION - BASIC FIELD - GENERAL
Year Ended December 31, 2005

Revenue and support:	
Grant award	\$1,883,695
Interest and miscellaneous	<u>29,943</u>
Total revenue and support	<u>\$1,913,638</u>
Non-capital expenditures:	
Salaries and wages -	
Lawyer	\$ 462,093
Non-lawyer	716,096
Employee benefits	285,447
Space costs and renovations	109,170
Equipment rental and maintenance	19,809
Office supplies and expenses	49,550
Travel and training	46,699
Library	28,702
Telephone	62,127
Insurance	45,784
Contractual services	45,510
Membership fees	3,826
Litigation costs	2,519
Subgrants	19,130
Access to justice	10,055
Miscellaneous	<u>15,983</u>
Total non-capital expenditures	<u>\$1,922,500</u>
Capital expenditures:	
Purchase of equipment	\$ 9,205
Principal payments on capital leases	<u>11,090</u>
Total capital expenditures	<u>\$ 20,295</u>
Total expenditures	<u>\$1,942,795</u>
Revenue and support, net of expenditures	\$ (29,157)
Net assets, beginning	<u>68,524</u>
Net assets, ending	<u>\$ 39,367</u>

ACADIANA LEGAL SERVICE CORPORATION

SCHEDULE OF PRIVATE ATTORNEY INVOLVEMENT EXPENSES
Year Ended December 31, 2005

Salaries and wages:	
Lawyer	\$ 67,498
Non-lawyer	43,446
Employee benefits	33,268
Space costs and renovations	12,768
Equipment rental and maintenance	2,309
Office supplies and expenses	5,017
Travel and training	8,785
Telephone	7,241
Insurance	5,080
Contractual services	23,365
Subgrants	27,574
Access to justice	16,398
Miscellaneous	<u>2,309</u>
	<u>\$ 255,058</u>
 Total Legal Services Corporation support	 <u>\$1,883,695</u>
 Compliance requirement percentage	 <u>12.50%</u>
 Actual percentage of Legal Services Corporation annual support	 <u>13.54%</u>

ACADIANA LEGAL SERVICE CORPORATION

SCHEDULE OF GRANT AWARD AND EXPENDITURES
LOUISIANA BAR ASSOCIATION - IOLTA GRANT
Year Ended December 31, 2005

Grant award	<u>\$151,939</u>
Expenditures:	
Salaries and wages -	
Lawyer	\$ 72,653
Non-lawyer	31,762
Employee benefits	23,210
Office supplies and expenses	2,039
Travel and training	583
Audit expense	290
Contractual services	2,500
Membership fees	9,404
Litigation fees	2,218
Access to justice	6,343
Telephone expense	<u>937</u>
Total expenditures	<u>\$151,939</u>
Grant award, net of expenditures	<u>\$ -0-</u>

ACADIANA LEGAL SERVICE CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2005

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Legal Services Corporation:		
Basic Field - General Grant	09.619051	\$ 1,883,695
U.S. Department of Health and Human Services, Administration on Aging:		
Pass-Through Local Councils on Aging -		
Special Programs for the Aging:		
Title III-B - Grants for Supportive Services and Senior Citizens	93.044	44,372
National Family Caregiver Support	93.052	19,037
Pass-Through Southeast Louisiana Legal Service -		
Special Programs for the Aging:		
Title IV and Title II - Discretionary Projects	93.048	<u>7,976</u>
Total expenditures of federal awards		<u>\$ 1,955,080</u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Acadiana Legal Service Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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BROUSSARD, POCHÉ, LEWIS & BREAU, L.L.P.

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Craig J. Viator, CPA*

Retired:

Sidney L. Broussard, CPA 1925-2005

Leon K. Poché, CPA 1984

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Lawrence A. Cramer, CPA* 1999

Ralph Friend, CPA* 2002

Eugene C. Gilder, CPA* 2004

Donald W. Kelley, CPA* 2005

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Acadiana Legal Service Corporation
Lafayette, Louisiana

We have audited the financial statements of Acadiana Legal Service Corporation (a nonprofit organization) as of and for the year ended December 31, 2005, and have issued our report thereon dated April 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Acadiana Legal Service Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Acadiana Legal Service Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities, is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Broussard, Roche, Lewis : Broussard, L.L.P.

Lafayette, Louisiana
April 4, 2006



BROUSSARD, POCHÉ, LEWIS & BREAU, L.L.P.

C E R T I F I E D P U B L I C A C C O U N T A N T S

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Acadiana Legal Service Corporation
Lafayette, Louisiana

Compliance

We have audited the compliance of Acadiana Legal Service Corporation (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation, that are applicable to each of its major federal programs for the year ended December 31, 2005. Acadiana Legal Service Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on Acadiana Legal Service Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the provisions of the Audit Guide for Recipients and Auditors and the Compliance Supplement for Audits of LSC Recipients, issued by Legal Services Corporation. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Acadiana Legal Service Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Acadiana Legal Service Corporation's compliance with those requirements.

In our opinion, Acadiana Legal Service Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items #2005-1 and #2005-2.

Internal Control over Compliance

The management of Acadiana Legal Service Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Acadiana Legal Service Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Audit Committee, Board of Directors, management, Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities, is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Broussard, Poché, Lewis & Broussard, L.L.P.

Lafayette, Louisiana
April 4, 2006

ACADIANA LEGAL SERVICE CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2005

We have audited the financial statements of Acadiana Legal Service Corporation as of and for the year ended December 31, 2005, and have issued our report thereon dated April 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and the provisions of Legal Services Corporation's Audit Guide for Recipients and Auditors and Compliance Supplement for Audits of LSC Recipients. Our audit of the financial statements as of December 31, 2005 resulted in an unqualified opinion.

Section I. Summary of Auditors' Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ☐ Yes ☒ No Reportable Conditions ☐ Yes ☒ No

Compliance

Compliance Material to Financial Statements ☐ Yes ☒ No

b. Federal Awards

Internal Control

Material Weaknesses ☐ Yes ☒ No Reportable Conditions ☐ Yes ☒ No

Type of Opinion on Compliance
For Major Programs

Unqualified ☒ Qualified ☐
Disclaimer ☐ Adverse ☐

Are their findings required to be reported in accordance with Circular A-133,
Section 510(a)? ☒ Yes ☐ No

c. Identification of Major Programs

CDFA Number

Name of Federal Program

09.619051

Basic Field - General

Dollar threshold used to distinguish between Type A and Type B Programs:
\$300,000

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?

☐ Yes ☒ No

Section II. Financial Statement Findings

None.

Section III. Federal Award Findings and Questioned Costs

#2005-1 Eligibility

Finding: During our testing of sixty random case files, three cases were selected where a determination of special eligibility was required. Additionally, we tested eighty-one cases specifically identified by the organization as requiring a special eligibility determination. During random case file testing we noted that two cases selected requiring a special eligibility determination did not have the required documentation as required by LSC. We noted no other exceptions in our testing of the additional eighty-one cases. LSC requires that certain documentation be maintained in accordance with CFR 1611 when accepting special eligibility cases. This requirement includes that the decision be documented and included in the client's file, including the factual bases for the decisions made. Factual bases for an exception are defined in CFR 1611.4(b) and CFR 1611.5. Exceptions include among others that the applicant's income is derived solely from a governmental program for low income individuals provided the recipient's governing body has determined that the income standards of the program are at or below 125% of the federal poverty guideline amounts or certain authorized exceptions are met including current income prospects, taking into account seasonal variations in income, medical expenses, fixed debts and obligations and seeking legal assistance to obtain governmental benefits for low income individuals or families.

Questioned Costs: Undeterminable.

Recommendation: The organization should ensure that all cases which require a determination of special eligibility are appropriately documented as to the decision reached and the factual bases for the decision. Additionally, the organization should ensure that the applicable case is included in the records of all such cases as to provide accurate information to LSC.

Response: Compliance with the provisions of 45 CFR 1611(b) regarding documentation and recordkeeping of factors relating to a determination of eligibility shall be reemphasized with staff in written communiques and in training sessions. Review of compliance with these provisions shall be improved.

#2005-2 Special Provisions

Finding: During our testing of the grant assurances, it was noted that an office was closed on November 11, 2005; however, notification to LSC was not done until April 11, 2006.

Questioned Costs: None.

Recommendation: The organization should notify LSC of the office closure as soon as possible.

Response: Compliance with the Grant Assurance that LSC's Office of Information Management be notified within 30 calendar days after a decision to close and/or relocate any main or staffed branch office shall be reemphasized with responsible staff. Review of compliance with the Grant Assurance shall be improved.

ACADIANA LEGAL SERVICE CORPORATION

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended December 31, 2005

Section I. Internal Control and Compliance Material to the Financial Statements

None.

Section II. Internal Control and Compliance Material to Federal Awards

None.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2004.

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ACADIANA LEGAL SERVICE CORPORATION

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MANAGEMENT'S CORRECTIVE ACTION PLAN
Year Ended December 31, 2005

Section I. Internal Control and Compliance Material to the Financial Statements

N/A

Section II. Internal Control and Compliance Material to Federal Awards

#2005-1 Eligibility

Recommendation: The organization should ensure that all cases which require a determination of special eligibility are appropriately documented as to the decision reached, approval of acceptance, and the factual basis for the decision. Additionally, the organization should ensure that the applicable case is included in the records of all such cases as to provide accurate information to LSC.

Action Taken: Compliance with the provisions of 45 CFR 1611(b) regarding documentation and recordkeeping of factors relating to a determination of eligibility shall be re-emphasized with staff in written communiqués and in training sessions. Review of compliance with these provisions shall be improved.

#2005-2 Special Provisions

Recommendation: The organization shall notify LSC of the office closure as soon as possible.

Action Taken: Compliance with the Grant Assurance that LSC's Office of Information Management be notified within 30 calendar days after a decision to close and/or relocate any main or staffed branch office shall be re-emphasized with responsible staff. Review of compliance with the Grant Assurance shall be improved.

Section III. Management Letter

There were no matters reported in a separate management letter for the year ended December 31, 2005.

Responsible Party: Joseph R. Oelkers, III
Executive Director

A handwritten signature in black ink, appearing to read "Joe Oelkers", written over a horizontal line.